



U.S. Chamber of Commerce

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NEWS

FOR IMMEDIATE RELEASE

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BASE NEW FEDERAL RETIREMENT SYSTEM ON PRIVATE
SECTOR PLANS, CHAMBER OF COMMERCE TELLS HOUSE

WASHINGTON, Oct. 23 -- Congress need look no further than the nation's private pension systems for a model when designing a new civil service retirement system for recently hired employees, the U.S. Chamber of Commerce told a House committee today.

Former Rep. John N. Erlenborn, considered an expert in the field of employee benefits during his 20 years in the House, represented the Chamber before the House Post Office and Civil Service Committee which is considering a retirement system for federal workers hired since the first of 1984. At that time, new employees were placed under Social Security and were no longer covered by the existing retirement plan.

"As a leading supporter of the private pension system and a principal author of the Employee Retirement Income Security Act of 1974, I believe much can be learned from the private system for constructing a reasonable and financially sound federal retirement structure," Erlenborn testified.

"In at least two aspects -- cost-of-living-adjustments and early retirement -- the [old federal system] differs substantially from the private sector retirement system," he continued, calling for Congress to bring the new federal plan closer to what is found in the private sector.

In the area of COLAs, he said, the old federal retirement system has been fully indexed to inflation since 1966 while only 3 percent of all private plans contained automatic inflation adjustments in 1982. Because of the federal COLAs, he continued, federal retirees received larger annual increases than were gained by workers under negotiated union contracts from 1971 to 1983.

"It is important when considering a COLA as part of the new federal retirement system, to compare the system with prevailing practices in the private sector -- not with the current [federal system]," he testified.

The existing federal system allows for retirement under full pension at age 55, far younger than is possible for most employees in the private sector, Erlenborn pointed out. "Phasing-in reduced benefits for retirees between the ages of 55 and 65 would bring the federal retirement system into closer alignment with private sector retirement practices. The Chamber supports this reform and urges Congress to do likewise," he said.

PLAN DESIGN SPECIFICATIONS
FOR THE
CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM (CSSRS)

I. DEFINED BENEFIT RETIREMENT

- | | |
|--|---|
| A. BASIC PLAN DESIGN | Defined benefit, not explicitly integrated with social security (add-on plan). |
| B. REQUIRED EMPLOYEE CONTRIBUTION | Through 1987: 1.3% of pay. From 1988-1989: 0.94% of pay. 1990 and after: 0.8% of pay. |
| C. VESTING | 5 years. |
| D. SALARY BASE | Average High-3 salary. |
| E. RETIREMENT BENEFIT FORMULA | 1.0% x years of service. |
| F. UNREDUCED RETIREMENT BENEFITS | Age 55 with 30 years of service; Age 60 with 20 years of service; Age 62 with 5 years of service. Supplement paid prior to age 62 equal to social security benefit. |
| G. INVOLUNTARY EARLY RETIREMENT BENEFITS | Accrued benefit, unreduced, payable at: Age 50 with 20 years of service. Any age with 25 years of service. Supplement paid prior to age 62 equal to social security benefit. |
| H. DEFERRED RETIREMENT | Full accrued benefit payable at age 62 with at least 5 years of service. |

I. REFUNDS

Employees may withdraw contributions plus interest. Any withdrawn contributions will be deducted from the vested benefit value.

J. COST-OF-LIVING
ADJUSTMENT

Annual adjustment equal to the increase in the Consumer Price Index.

K. DISABILITY BENEFITS

For employees eligible for social security benefits, a basic benefit no less than the lesser of:

- (a) 20% of high-three salary, or
- (b) the retirement benefit projected to age 60.

Employees not eligible for social security benefits receive the above formula plus a supplemental benefit until old-age social security benefits become payable at age 62. The supplement is equal to the lesser of:

- (a) the basic disability benefit, or
- (b) 70% of the social security benefit.

L. HAZARDOUS DUTY EMPLOYEES

Federal Law Enforcement officers may retire after age 50 with 20 years of service.

Firefighters may retire after age 50 with 20 years of service.

Air Traffic Controllers may retire after 25 years of service or after age 50 with 20 years of service.

The annual retirement credit is 1.7% times years of service up to 20 years plus 1.5% for years in excess of 20 years.

HAZARDOUS DUTY EMPLOYEES
(contd)

Supplement payable from
retirement to age 62.

Employee pays an additional .5%
of pay for benefit.

M. POST-RETIREMENT SPOUSE
SURVIVOR BENEFITS

Automatic unless jointly waived.

Those electing option have
annuity reduced by 2.5% of the
initial \$3,600 in annual benefits
and by 10% of the remainder.

Payment to surviving spouse is
half of the unreduced annuity.

N. PRE-RETIREMENT SPOUSE
SURVIVOR BENEFITS

Any age with 18 months of
service.

The same benefit that would be
payable to a surviving spouse of
a retired employee.

O. MINIMUM SURVIVOR
BENEFITS (Pre- and
Post-Retirement)

The minimum surviving spouse's
benefit is no less than the
lesser of:

(a) the benefit payable under
CSRS or

(b) the projected combined
CSSRS and social security
benefit that would be
payable to the widow(er)
at age 60.

less
social security

P. CHILDREN

Annual benefit of \$2,800
increased by future CPI growth,
and fully offset for the
children's portion of any social
security benefit. Benefits paid
until age 18 for a child not in
school and until age 22 for a
child in school. Benefits are
continued after age 22 for a
disabled child.

Q. SERVICE CREDITED

Same as in CSRS except that credit is not allowed for unused sick leave.

II. VOLUNTARY CAPITAL
ACCUMULATION PLAN

A. ALLOWABLE EMPLOYEE
CONTRIBUTIONS

Up to 10% of pay to thrift plan.

B. GOVERNMENT MATCHING
CONTRIBUTIONS

For each \$1 contributed by employee up to 6% of pay, Government contributes \$0.50.

C. VESTING

Full and immediate vesting of government matching contributions.

D. INVESTMENT OPTIONS

Employees may choose to invest their contributions in any of six investment vehicles provided in the Capital Accumulation Plan.

Government contributions are invested in Treasury securities for the first five years of the Capital Accumulation Plan. After this period, Government contributions may be invested in any of the investment vehicles as elected by the employee.

E. CURRENT EMPLOYEES

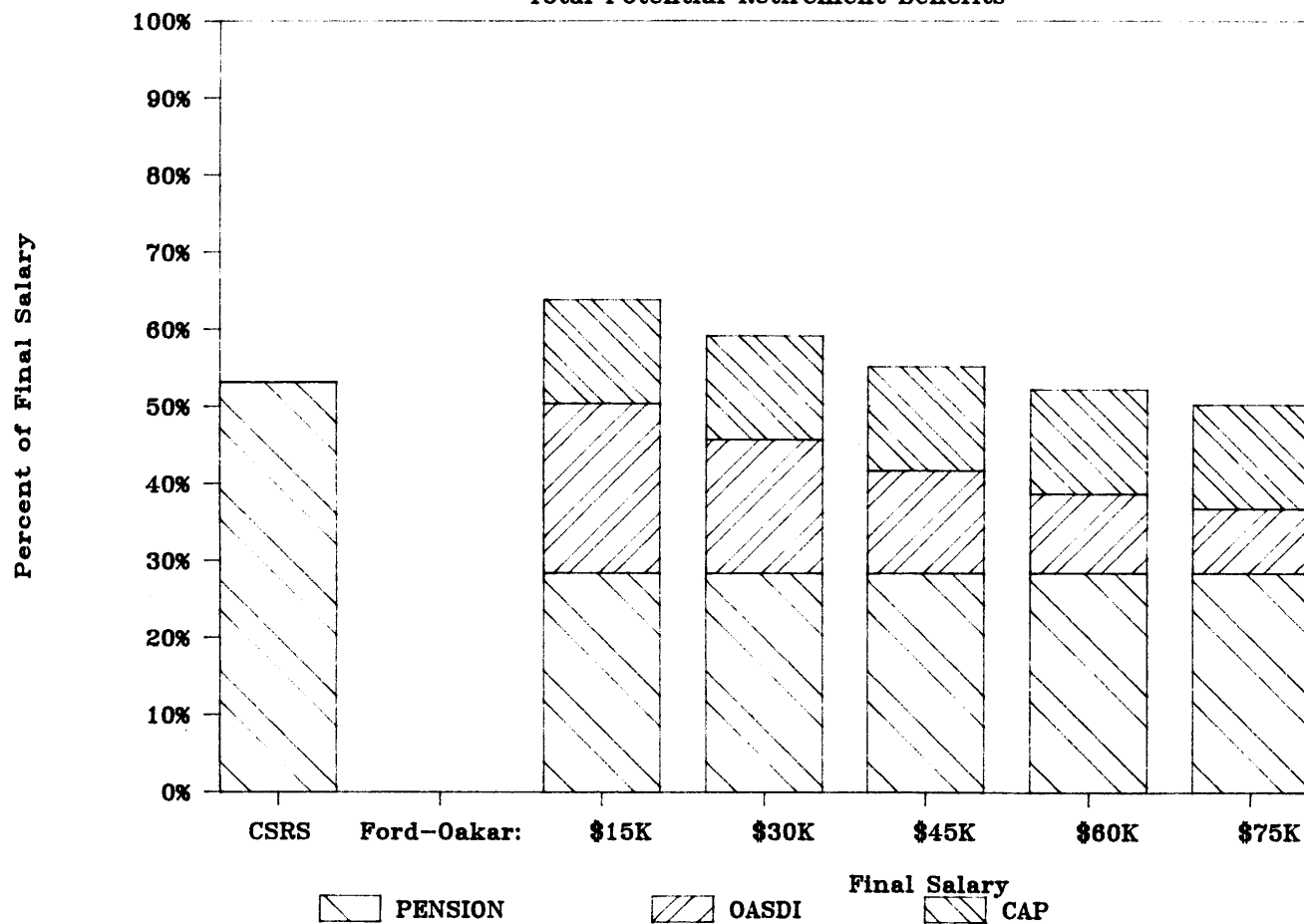
Current employees may not elect into CSRS. They may participate in the Capital Accumulation Plan, but do not receive Government matching contributions.

III. SOCIAL SECURITY

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| A. OLD AGE, SURVIVORS, AND DISABILITY INSURANCE | All affected employees covered. |
| B. EMPLOYEE CONTRIBUTION | Employee contribution of 5.7% of pay (6.06% in 1988; 6.2% in 1990) for OASDI coverage, up to maximum taxable wage base (\$39,600 in 1985.) |

Age 55 with 30 Years of Service

Total Potential Retirement Benefits



Age 62 with 30 Years of Service

Total Potential Retirement Benefits

